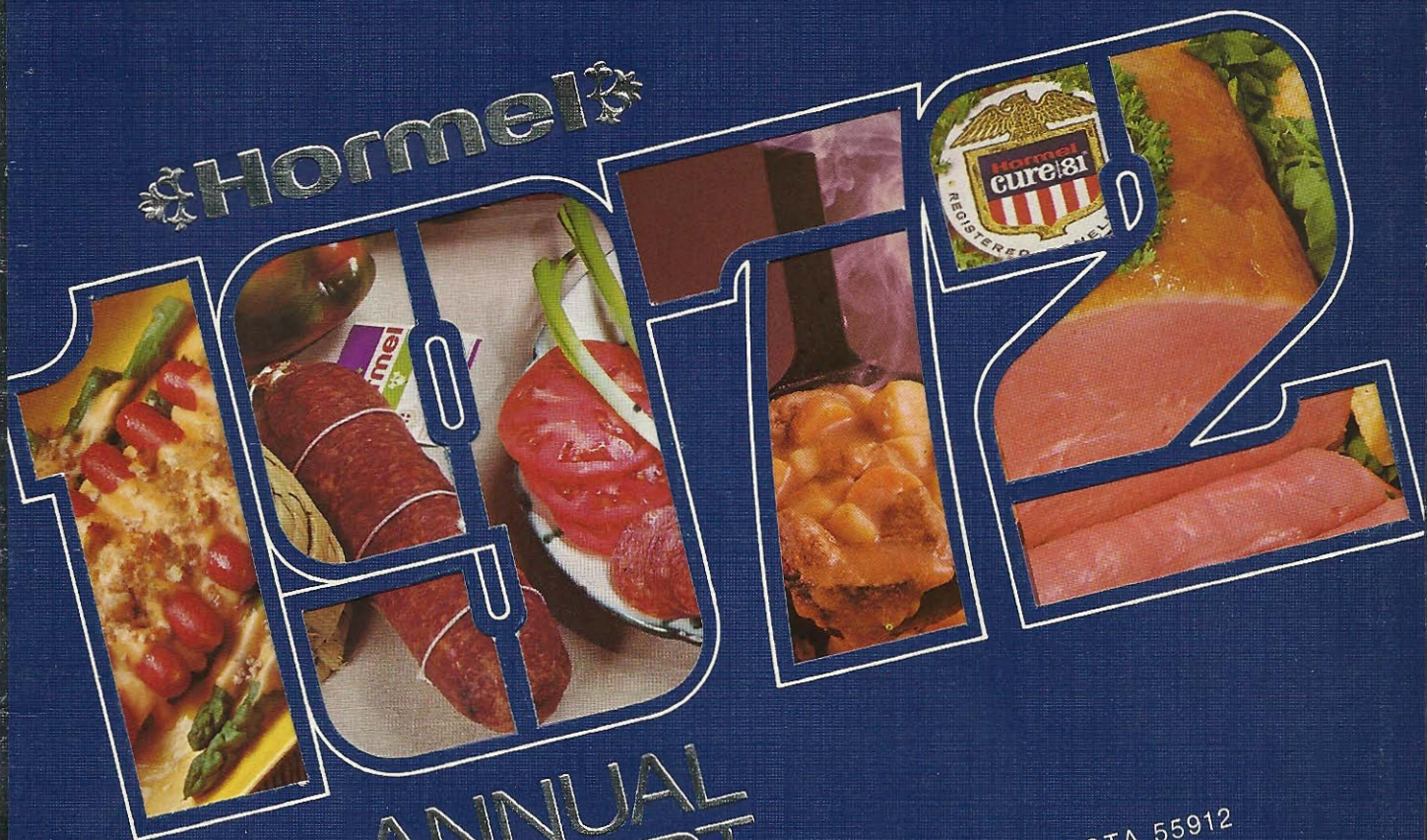


Hormel



ANNUAL REPORT

GEO. A. HORMEL & COMPANY / AUSTIN, MINNESOTA 55912
FISCAL YEAR ENDED OCTOBER 28, 1972

STOP

Common Stock
Listed Midwest Stock Exchange
Traded American Stock Exchange

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Auditor
Ernst & Ernst
1800 First National Bank Building
120 South Sixth Street
Minneapolis, Minnesota 55402

Transfer Agent
First National Bank of Chicago
1 First National Plaza
Chicago, Illinois 60670

Registrar
Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Annual Meeting
The Annual Meeting of Shareholders
will be held on Tuesday,
January 30, 1973, in the Austin
High School Auditorium,
Austin, Minnesota.
The meeting will convene at 8 p.m.
All shareholders are cordially
invited to attend.



Financial Reports
The 1972 Hormel Financial
Section can be found
in a "pocket fold" provided
on the inside back cover
of this year's Annual Report.



Board Chairman M. B. Thompson (seated)
and President I. J. Holton.

TO OUR SHAREHOLDERS:

The 1972 Annual Report provides an opportunity to relate your Company's performance for the fiscal year which ended October 28, 1972.

The pages to follow give particular attention to the many factors which measure this performance. In this Report, you will find a review of past year's marketing programs,

a summary of current and projected expenditures, and a report of Company efforts directed to meeting consumer interests. The 1972 Financial Section can be found in the back of this Report.

This year has been a challenging one — a year of change and a measure of accomplishment. We look forward to 1973 as another year of healthy growth for your Company.

M. B. Thompson
I. J. Holton





Hormel Brown 'N Serve Sausages.

MEAT PRODUCTS GROUP

Product innovations, marketing know-how and response to the changing demands of the marketplace resulted in a stronger consumer acceptance of food items.

The Meat Products Group continues to develop and add to its product lines by providing processed food products that people need and want. In addition to taste appeal, these products offer wholesomeness, freshness and flavor, convenience and variety.

Initial test marketing of three new sausage items — all under the Brown 'N Serve brand name — was begun in late 1972. Brown 'N Serve Countryside Sausage, Brown 'N Serve Polish Sausage and Brown 'N Serve Italian Sausage will be marketed in colorful 8 oz. vacuum-sealed packages. These variations of old sausage favorites provide versatility for any eating occasion, whether it's breakfast, lunch or dinner, a cookout or a formal party. Convenience has been built into Hormel products to simplify the job of preparing varied, interesting and quick meals for today's busy homemakers.



Range Brand Wranglers.

New adult consumer desires stimulated the introduction in selected test markets of Range Brand Wranglers. This all-meat wiener is larger, more heavily-smoked and more coarsely-ground than most regularly packaged "hot dogs." A western theme is being used to effectively merchandise this new product.

Leoni Brand Pepperoni was introduced to provide a new use for this popular hot-flavored dry sausage. Packed in bulk form, Leoni Brand Pepperoni is sold principally to delicatessens where it is fresh-sliced to correct thickness for top flavor in a sandwich.

Five "fresh-out-of-smoke" dry sausages are now in distribution in convenient consumer-sized chub packages. These 11 oz. gourmet sausages — Viking Cervelat, Cotto Salami, Tangy Summer Sausage, Old Smokehouse Brand Thuringer and Beefy Summer Sausage — are expected to revive the popularity of old midwestern-style semi-dry sausages. Each of these chub items has a zesty, distinctively-different flavor.



Leoni Brand Pepperoni.

Promotional efforts to acquaint homemakers with richly-smoked, fully-cooked Hormel Smoked Sausage are being actively promoted at the retail level. Sausage Casserole Italian and Sassy Sausage Dip are two of the recipe suggestions which have been introduced to illustrate the many possibilities that exist in making this product excellent eating for the entire family.



Hormel Smoked Sausage.

Regular-sliced smoked chops, thin-sliced breakfast chops, thick-sliced chops for broiling or charcoaling and smoked pork roasts — these are the “variety-pack” retail ideas offered to meat managers selling Hormel smoked pork loins.

Fully-cooked, center-cut Hormel smoked loins are sold to retailers who then cut them into these popular cuts for quick “over-the-counter” sale. Multi-color stickers, each with serving suggestions and cooking instructions, are affixed to each chop or roast.

A complete modification of Hormel Bacon packages now enables the consumer to see the quality and degree of leanness of bacon packed inside.



“Variety pack” smoked pork chops and smoked pork roasts.

The innovative viewing window in the Black Label Bacon package was substantially enlarged — permitting homemakers to see not less than 70 per cent of a full bacon slice. In early 1972, the Company began to convert its entire production of prepacked, sliced bacon to packages which show a “representative slice” of bacon.



Sales of Hormel processed food products in all markets were assisted by vigorous advertising and promotional efforts. Advertisements appeared regularly in a number of selected national publications and in local newspapers.

Television commercials, on a regional and national basis, were used on all three major networks. Radio “spots” were used in local markets for additional emphasis. Special tie-in and related product promotions were instrumental in bringing the Hormel name to consumers.



The old and new Black Label Bacon package.



PREPARED FOODS GROUP

From product development to distribution,
the Prepared Foods Group
meets changing consumer needs and desires.

Responding to the continuing demand for greater variety in food, the Hormel Company has added two new items to its meat spread line. E.X.L. Ham Spread and SPAM Spread With Pickles 'n Pimentos, both packed in 4½-oz. light-weight, easy-open cans, have been introduced in selected test markets across the country. SPAM Spread, Deviled Ham, Old Smokehouse Meat Spread and Potted Meat Food Product are also included in the Hormel "family of spreads." These all-meat spreads have proven popular for use with snacks, canapes, sandwiches or on crackers.



A new addition.



Ideal for sandwiches.



Continuing consumer demand.

Consistent growth has been experienced in sales of the Hormel Company's newest canned ham — the E.X.L. Ham. This three-pound ham is a specially-selected, extra lean, boneless ham which is packed in an easy-open plastic container. Increased production capabilities are being sought to satisfy the growing consumer demand for this new product.

Recognizing the popularity of Mexican-style foods, Hormel has begun test marketing Diablo Taco Shells and Diablo Taco Kits. Quick, easy-to-prepare and rich in



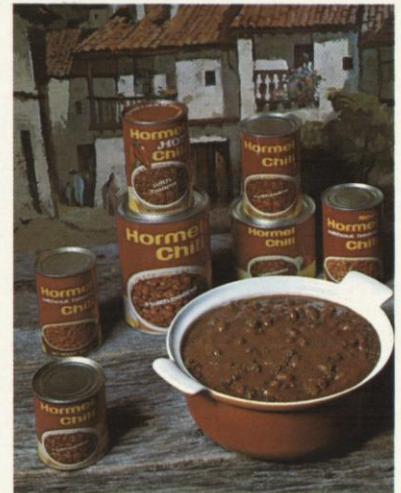
Diablo Taco Kit and Shells.

flavor, Diablo is termed the "do-it-yourself" food for lunch, dinner or snacks. This new product is being promoted through full-page advertisements and prepacked retail displays. Still other Mexican-style foods are expected to be introduced under the Diablo brand name.

Television, national magazine advertising and vigorous merchandising programs have helped to maintain a high level of sales for Hormel Chili — already the largest selling canned chili in the country. Extensive advertising in print and broadcast media emphasizes that Hormel Chili is a quality, fun-to-serve product which appeals to people of all ages. Recipe suggestions were developed to demonstrate varied ways in which this product can be served and combined with other foods to provide innovative

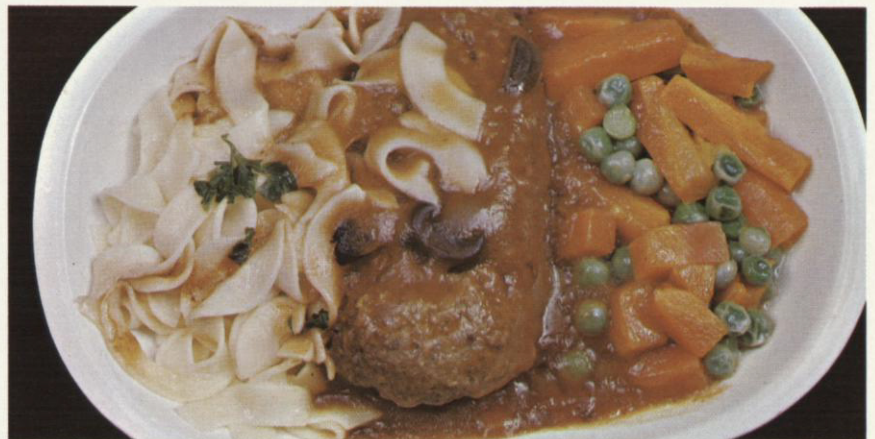
meals. Hormel Chili With Beans, Hormel Chili Without Beans and Hormel Hot Chili are marketed in several consumer sizes.

Seven frozen prepared entrees are now being marketed to hospitals and health care centers. These single portion "preplated" dinners are sold in high-heat disposable casserole containers, ready to heat and serve. The seven items are Salisbury Steaks, Short Ribs in Brown Gravy, Spaghetti and



The Hormel Chili product line.

Meat Sauce, Macaroni and Cheese, Beef Stew, Veal Parmesan and Filet of Haddock. The "preplated" dinners also include vegetables, sauces, gravies and relishes.



Salisbury Steak.



Short Ribs in Brown Gravy.

A large pile of various canned goods and snack bags, including Welch's fruit juices, Hormel chili and soups, Dinty Moore soups, and Mary Kitchen soups, surrounded by a large pile of coins. The products are arranged in a dense, overlapping manner, with the coins scattered around the base and between the cans, creating a sense of abundance. The background is a plain, light color, making the products and coins stand out.

Within recent months, Hormel has introduced two new hot food vending items — Hormel Beans 'n Bacon and Hormel Creole Rice 'n Chicken. This raises to 22 the number of hot canned foods, fruit desserts and snack items now available nationwide to vending and mobile catering markets.

Hot canned foods, juices, fruit desserts and snack items sold to vending and mobile catering markets.

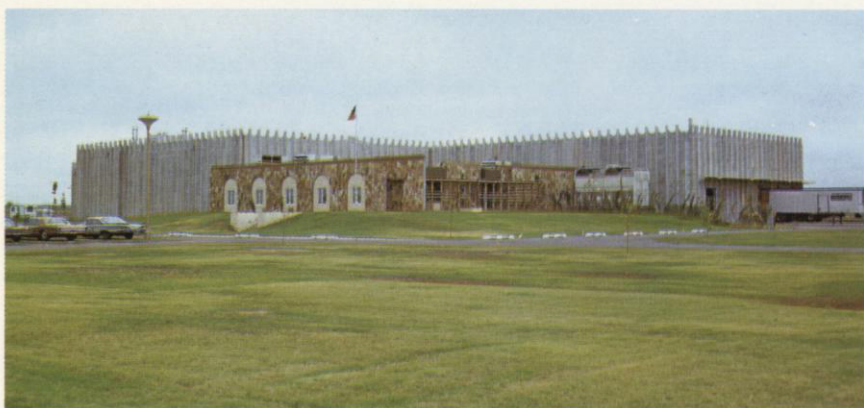


INVESTMENTS AT HOME AND ABROAD

Acquisitions, plant expansions and improvements in production facilities highlighted the Company's 1972 capital spending program.



Shreveport, La., distribution plant.



Oklahoma City, Okla., plant (Also see photo on preceding page).



Hormel Corporate Office in Austin, Minn.

U.S. INVESTMENTS

Ribbon-cutting ceremonies were held in early 1972 to mark the opening of a new Hormel distribution plant in Shreveport, La. The 11,000 square foot facility, equipped with modern materials handling techniques and equipment, will markedly improve the Company's distribution capabilities in this southern area.

Construction has been completed on a manufacturing plant for Hormel Fine Frozen Foods in Oklahoma City, Okla. The 58,000 square foot facility is equipped to produce a wide variety of frozen food products for all segments of the food service industry and retail trade.

Progress is being made on installation of advanced equipment for the processing of meat patties, steaks and frozen entrees. All production lines will be operating by March, 1973.

A 38,000 square foot addition to the Hormel Corporate Office in Austin, Minn., was also completed in 1972. The new addition, providing space for departments previously housed at other Austin locations, is considerably larger than the original structure which was built in 1964.

In late 1972, Hormel moved into a new 19,000 square foot distribution plant in Orlando, Fla. Located in the



Orlando, Fla., distribution plant.



Addition to Fremont, Neb., plant.

Orlando Central Industrial Park, the plant is equipped with a large freezer, beef cooler and provisions cooler and a completely modern institutional operation to accommodate the growing restaurant and other mass-feeding outlets in the central Florida area.

Extensive renovation and modernization work continues at the Company's Fremont, Neb., plant. Construction has been completed on a 65,000 square foot addition. A 65-foot high SPAM hydrostatic sterilizer has been installed. A Vienna Sausage line has

been added. The Company's ability to produce canned meats will be enhanced materially when all facilities are operative. New facilities are also being provided to increase the production of several sausage items.

Groundbreaking ceremonies were held in September to mark the start of construction of a multi-million dollar canning and warehousing plant in Beloit, Wis.

The plant is planned to be one of the most modern food processing plants in the United States. A number of Hormel products, including

Mary Kitchen Hashes and Hormel Chili, will be produced. In addition to the canning facility, the new plant will serve as a distribution center for the Company's customers in the East-Central portion of the United States.

Plans are developing for the construction of a 21,000 square foot addition to the Hormel Research and Development Building in Austin. Shelf life studies, biochemical research and chemical analyses of Hormel foods will be handled in laboratories in this new addition.



Proposed Beloit, Wis., canning plant.



Artist's sketch of Research and Development Building.

INVESTMENTS ABROAD

In early 1972, the Hormel Company's international subsidiary changed its name from Overseas Trade and Development Corporation to Hormel International Corporation. The change was made to more clearly identify the interest of Geo. A. Hormel & Company.

During the past year, the Company acquired a financial interest in Pure Foods Corporation, the largest publicly-held food company in the Philippine Islands. The new arrangement will provide the Company with local production and sale of both canned and processed meat products in the Philippines under a variety of brands — Hormel, SPAM, Mary Kitchen and Dinty Moore.

Excel Food Products Corporation, a newly-created subsidiary of Hormel International, was formed in 1971 to handle the manufacture and sale of curing agents, spice blends and vegetable and meat proteins to foreign food



Pure Foods Corporation product lines.

processing companies. An agreement was also consummated with the W. R. Grace Company, New York, N.Y., under the terms of which Grace will serve as exclusive selling agents for Excel Food Products in selected markets throughout the world.

The First Enterprise Corporation has expanded its line of Hormel products that are produced and sold in Okinawa. Two new products — Hormel Beef Stew and Hormel Spaghetti Sauce — are now in test markets. Introduction of a 12 oz.



canned pork luncheon meat will be made in 1973 — bringing to more than 15 the number of products marketed in Okinawa under the Hormel label.

Extensive research has led Hormel International to an investment opportunity in Spain. This investment will facilitate the production and sale of a variety of products in a country that has shown consistent growth over the past decade.

Also undertaken were feasibility studies to determine the long-range manufacturing and marketing interests which Hormel may have within the nations of the European Economic Community (EEC or Common Market). With the entry of Denmark, Ireland and England into the Common Market, these studies are needed to determine what implications their entry will have on present and future business interests in Europe.



The First Enterprise Corporation in Okinawa.



During the past year, Geo. A. Hormel & Company continued to devote considerable effort and expense to consumer interests, including nutritional labeling and open dating.

The increasing number of food items on supermarket shelves makes it difficult for consumers to become familiar with the nutritional qualities of products. Accordingly, a program to provide consumers with nutritional information was started early last year. Detailed nutritional data is being made available on many of the Company's major food products, with more to be added as information on them is compiled in the coming months. This data, enabling consumers to obtain meaningful nutritional information, is helpful in planning balanced meals.

FOOD AND NUTRITION

Hormel - recognizing its responsibility to encourage proper eating habits and good health - continues to respond to consumer problems, needs and desires.

Upon request, consumers can receive information on the caloric content and the amount of protein, carbohydrates and fat in Hormel products. Data on mineral composition, including calcium, sodium and iron, is available as well as the important vitamin contents, niacin, riboflavin and thiamin.

Until recently, these nutritional studies have been conducted for Hormel by the Wisconsin Alumni Research Foundation Institute, Inc., an independent laboratory in

Madison, Wis. Hormel laboratories are now capable of compiling this essential nutrient information on other products.

Research efforts will continue in this area and in activities calculated to enhance the nutritional value of Hormel products.

Open dates are now being prominently stamped on a large majority of Hormel processed meat products. The stamp consists of an abbreviation of the month and the numerical date of that month. It represents the recommended date by which the product is to be sold by the retailer while it still has peak freshness and flavor for normal home usage.

Packaged meat products now open dated include wieners, bacon, sliced luncheon meats and cooked hams. Others are being added to the list.



John Kuth operates atomic absorption spectrophotometer. Preceding page: Don Kofron conducts shelf life studies.

1972

 **Hormel** 

FINANCIAL
SECTION

A REVIEW OF OPERATIONS

While Geo. A. Hormel & Company sales reached a new high, our five-year string of new earnings records was interrupted in 1972. A good base exists, however, for a resumption of the Company's strong upward momentum.

A major reduction in livestock supplies is always of concern to your Company, but the sharp response of livestock producers this year to the low prices for live hogs the preceding year, in 1971, came at a very inopportune time. Normal market reactions to the forces of supply and demand were interrupted by a number of factors. Phase II of the Government's control program prescribed that prices on live animals remain uncontrolled while certain controls were imposed on processed products.

Also, consumer demand for red meat, encouraged by increased disposable income, remained high, but increased sensitivity to meat prices developed a contrary effect. Meat packers, and especially pork packers, were challenged with the task of protecting their historically narrow profit margins in this

abnormal market atmosphere.

Your Company's balance sheet provided the strength necessary for further progress in the face of the year's decline in earnings. The assets of two companies in the pollution control field were acquired. Capital expenditures exceeded \$14 million. The final installment on long-term debt was paid.

Earnings Decline

Contrasted with the banner earnings of 1971, earnings for the past year appear dismally low. Although not fully up to your management's goals for return on investment, cash flow from operations for 1972 provided the bulk of funds required.

Earnings for the year were \$7,788,000, a decrease from last year of \$8,876,000, and a decrease from 1970, our previous record year, of \$2,145,000. Earnings attributable to each share of common stock amounted to \$1.63, compared to \$3.50 per share in 1971 and \$2.09 in 1970.

Earnings made available to eligible employees under the Company's Joint Earnings Plan

amounted to \$1,621,000. Since the beginning of the Plan 34 years ago, \$42,820,000 has been provided for employees out of earnings.

Increased Sales Dollars

Sales, after returns and allowances, were \$719,755,000 in 1972, an increase of \$33,268,000 over the prior year. Higher prices more than offset the reduction in sales tonnage which developed principally in the categories of fresh unbranded pork and beef.

Record Capital Investment

Expenditures for meat-related property, plant and equipment, for diversification into the pollution control field and for extension of the Company's international activities were \$14,755,000 in 1972 — the largest for any one year in the Company's history.

Acquisition of the assets of Minnesota Aerospace Corporation, Coon Rapids, Minn., has broadened the Company's capabilities in air pollution control measures beyond the food-related field. The Company also acquired the assets of Environ-

mental Pollution Control, Inc., Oconomowoc, Wis., a company which gained recognition for its expertise in dealing with water pollution control problems.

The 1973 capital improvement program should be of comparable magnitude to that of 1972.

Depreciation for the current fiscal year was \$6,417,000, an increase of \$983,000.

Dividends Increased

Cash dividends on common stock were increased in February, 1972, to the extent possible within the guidelines issued by the Government's Committee on Interest and Dividends. Dividends paid and accrued during the fiscal year amounted to \$3,732,000. Geo. A. Hormel & Company has paid dividends for 44 consecutive years.

Pension Trusts

The Company's provision for current and past services under the Employee's Pension Trusts for the year was \$8,837,000. The obligation for vested benefits for all plans as of the end of the year was estimated to be \$20,960,000

in excess of amounts funded.

Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment

Stockholders' investment on October 28, 1972, amounted to \$101,187,000. This was equivalent to \$21.04 of book value on each share of common stock outstanding.

Term Loan Paid

The final installment on the bank term loan was paid on March 15, 1972. High prices increased working capital requirements and developed more extensive short-term borrowing during the year.

Livestock Projections for 1973

It is anticipated that prevailing strong live hog prices and the relatively attractive hog-corn ratio will encourage increased farrowings. Confirmation of such anticipated increase was received in the Government's September, 1972, report on producers' intentions. Hog prices, while not up to current levels, are expected to

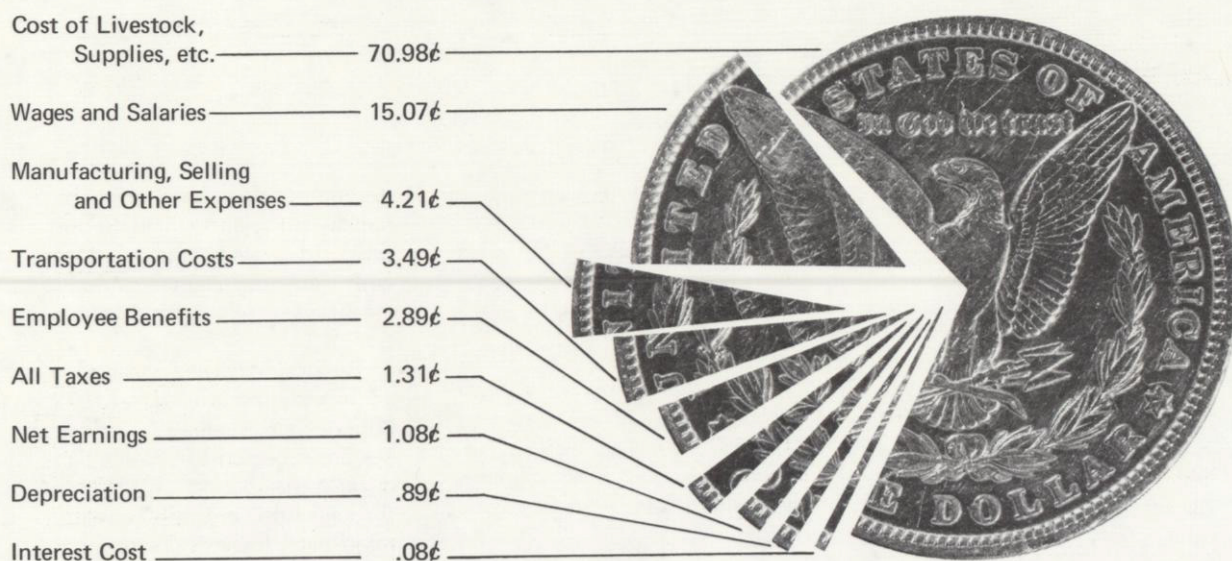
decline during the year but remain sufficiently high to continue to provide the producer with an excellent economic incentive to expand his production.

Reports of cattle on feed show a mixed picture for 1972. Supplies are adequate at present but are expected to become tight during the period of January through April and, subsequently, trend back towards greater numbers becoming available for slaughter.

Your management believes that the profit picture will improve in 1973. It is still too early to predict the effects of controls on results for the coming year, but it is known that demand for the Company's branded products remains high, markets are being expanded and physical facilities are in excellent condition.

These facts, along with the continued support, cooperation and loyalty of our employees, customers, livestock producers, shareholders and suppliers, places your Company in a good position for the future.

DISTRIBUTION OF SALES DOLLAR



DIRECTORS

Elmer L. Andersen
 E. C. Alsaker
 Raymond J. Asp
 Sherwood O. Berg
 Bruce Corey
 Robert M. Gill
 I. J. Holton
 James C. Hormel
 Lee D. Housewright, Jr.
 Robert F. Potach
 M. B. Thompson

OFFICERS

M. B. Thompson Chairman of the Board
 I. J. Holton President
 Raymond J. Asp Group Vice President
 Lee D. Housewright, Jr. Group Vice President
 Bruce Corey Vice President
 N. D. Gahagen Vice President
 Robert M. Gill Vice President
 Clayton T. Kingston Vice President
 James A. Silbaugh Vice President
 Donald S. Sorenson Vice President
 E. C. Alsaker Treasurer
 Charles D. Nyberg Secretary
 Robert F. Potach Controller
 Don J. Hodapp Assistant Controller
 Richard W. Schlange Assistant Controller
 Walter B. Stevens Assistant Treasurer
 Robert J. Thatcher Assistant Treasurer

STATEMENT OF CONSOLIDATED EARNINGS

	Fiscal Year Ended	
	October 28, 1972	October 30, 1971
Sales, less returns and allowances.....	\$719,755,110	\$686,487,100
Interest and other income.....	211,710	207,422
	<u>719,966,820</u>	<u>686,694,522</u>
Costs and expenses:		
Cost of products sold.....	632,162,317	578,176,924
Selling and delivery expenses.....	62,835,689	64,583,194
Administrative and general expenses.....	9,280,887	10,202,049
Interest.....	553,494	190,893
	<u>704,832,387</u>	<u>653,153,060</u>
EARNINGS BEFORE INCOME TAXES	15,134,433	33,541,462
Provision for income taxes.....	7,346,000	16,877,000
NET EARNINGS (Per share 1972—\$1.63; 1971—\$3.50).....	<u>\$ 7,788,433</u>	<u>\$ 16,664,462</u>

Provision for depreciation under accelerated methods included in costs and expenses 1972—\$6,417,415; 1971—\$5,434,820.

See note to consolidated financial statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	October 28, 1972	October 30, 1971
CURRENT ASSETS		
Cash.....	\$ 12,719,365	\$ 12,040,584
United States Government and other marketable securities—at cost which approximates market.....	3,900,000	17,448,733
Accounts receivable, less allowance \$100,000.....	31,386,172	30,184,613
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or replacement market.....	38,307,006	39,835,993
Prepaid insurance and other expenses.....	1,243,360	1,104,117
TOTAL CURRENT ASSETS	87,555,903	100,614,040
CURRENT LIABILITIES		
Accounts payable and accrued expenses.....	44,709,524	48,529,591
Dividend payable November 15.....	937,611	892,594
Federal income taxes.....	2,633,947	6,535,983
Payments due within one year on long-term debt.....	—	1,010,000
TOTAL CURRENT LIABILITIES	48,281,082	56,968,168
WORKING CAPITAL	39,274,821	43,645,872
INVESTMENTS—at underlying equity	1,734,596	689,041
PROPERTY, PLANT AND EQUIPMENT—on the basis of cost		
Land.....	1,774,625	1,545,758
Buildings.....	41,897,501	40,471,148
Equipment.....	54,614,963	51,377,651
Construction in progress.....	10,237,389	3,799,629
Less allowances for depreciation.....	(48,346,590)	(45,353,651)
	60,177,888	51,840,535
 STOCKHOLDERS' INVESTMENT	 \$101,187,305	 \$ 96,175,448
See note to consolidated financial statements.		

STATEMENT OF CONSOLIDATED STOCKHOLDERS' INVESTMENT

	Fiscal Year Ended	
	October 28, 1972	October 30, 1971
CAPITAL STOCK		
Preferred Stock, par value \$100 a share:		
Authorized 50,000 shares		
Issued—none		
Common Stock, par value \$1.875 a share:		
Authorized 6,000,000 shares		
Issued and outstanding:		
Beginning of year 4,760,496 shares.....	\$ 8,925,930	\$ 8,925,930
Par value of 47,762 shares issued for an acquisition..	89,554	—
End of year 1972—4,808,258 shares; 1971—4,760,496 shares.....	9,015,484	8,925,930
Additional paid-in capital:		
Beginning of year.....	1,986,315	1,986,315
Excess of estimated market value over par value of stock issued for an acquisition.....	865,687	—
End of year.....	2,852,002	1,986,315
	11,867,486	10,912,245
EARNINGS REINVESTED IN BUSINESS		
Beginning of year.....	85,263,203	72,169,116
Net earnings for year.....	7,788,433	16,664,462
	93,051,636	88,833,578
Deduct cash dividends on Common Stock (1972—\$.78 a share; 1971—\$.75 a share).....	3,731,817	3,570,375
End of year.....	89,319,819	85,263,203
TOTAL STOCKHOLDERS' INVESTMENT.....	\$101,187,305	\$96,175,448
See note to consolidated financial statements.		

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	Fiscal Year Ended	
	October 28, 1972	October 30, 1971
Working capital at beginning of year	\$43,645,872	\$37,818,140
Additions:		
From operations:		
Net earnings for the year	7,788,433	16,664,462
Provision for depreciation	6,417,415	5,434,820
	14,205,848	22,099,282
Issuance of Common Stock for acquisition	955,241	—
	15,161,089	22,099,282
Deductions:		
Additions to property, plant and equipment	14,754,768	11,645,481
Cash dividends on Common Stock	3,731,817	3,570,375
Current maturity of long-term debt	—	1,010,000
Increase in investments	1,045,555	45,694
	19,532,140	16,271,550
Increase (decrease) in working capital	(4,371,051)	5,827,732
Working capital at end of year	\$39,274,821	\$43,645,872
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	\$ 678,781	\$ 1,295,458
Marketable securities	(13,548,733)	8,435,584
Accounts receivable	1,201,559	(179,020)
Inventories	(1,528,987)	7,683,034
Prepaid expenses	139,243	236,100
	(13,058,137)	17,471,156
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	(3,820,067)	8,367,190
Dividend payable	45,017	59,507
Federal income taxes	(3,902,036)	3,204,727
Payments due within one year on long-term debt	(1,010,000)	12,000
	(8,687,086)	11,643,424
Increase (decrease) in working capital	(\$ 4,371,051)	\$ 5,827,732
See note to consolidated financial statements.		

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

October 28, 1972

ACCOUNTING POLICIES:

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. All significant intercompany accounts, transactions and profits have been eliminated in consolidation. Investments in foreign companies (the Company's investment does not exceed 50% in any foreign company) are included in the financial statements at the Company's equity therein. The accounts of the foreign companies have been translated at appropriate rates of exchange and the resulting gains and losses (not material in amount) have been reflected in operations. The excess of the cost of acquisitions over the Company's equity in the book value of net assets acquired is not material in amount and is being amortized over periods of ten to forty years.

Depreciation, Maintenance and Repairs—Depreciation of property, plant and equipment is provided principally by accelerated methods approximating the double-declining balance method. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized.

Research and Development Costs—Research and development costs are expensed as incurred.

Pension Plans—The Company has several pension plans covering substantially all of its employees. The total pension expense was \$8,836,700 for 1972 and \$7,973,000 for 1971 which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans. The Company's policy is to fund pension costs accrued. The actuarially computed value of vested benefits for all plans as of October 28, 1972 exceeded the total of the pension funds by approximately \$20,960,000.

Income Taxes—Provision is made for income taxes payable. No provision is made for deferred income taxes as there are no material timing differences between financial and taxable income. The investment tax credit, 1972—\$457,000, 1971—\$29,000, has been used to reduce the income tax provision (flow-through method). The 1971 financial statements have been restated to combine federal and state income tax expense.

Earnings Per Share—Earnings per share of Common Stock are based on the weighted average number of shares outstanding.

PRICING POLICIES:

The Internal Revenue Service is reviewing the Company's pricing policies under the Economic Stabilization Act of 1970. There are significant differences in interpretation of the regulations; however, no formal report has been issued at this time.

TEN YEAR REVIEW

(In thousands of dollars)

OPERATIONS	1972	1971	1970**
Net Sales.....	\$719,755	\$686,487	\$695,768
Net Earnings.....	7,788	16,664	9,933
Per Cent of Sales.....	1.08%	2.43%	1.43%
Wage Costs.....	129,277	127,775	116,921
Total Taxes.....	9,431	19,053	12,648
Depreciation.....	6,417	5,435	4,918
<hr/>			
FINANCIAL POSITION			
Working Capital.....	\$ 39,275	\$ 43,646	\$ 37,818
Properties (net).....	60,178	51,841	45,683
Total Assets.....	149,468	153,144	129,416
Stockholders' Investment.....	101,187	96,175	83,081
<hr/>			
PER SHARE OF COMMON STOCK*			
Net Earnings.....	\$ 1.63	\$ 3.50	\$ 2.09
Dividends.....	.78	.75	.70
Stockholders' Investment.....	21.04	20.20	17.45

*Adjusted for Stock Split.

**53 Weeks

1969	1968	1967	1966	1965	1964**	1963
\$626,017	\$585,879	\$548,819	\$491,733	\$441,600	\$411,827	\$393,740
9,236	9,134	8,658	3,511	4,351	5,725	2,965
1.48%	1.56%	1.58%	.71%	.99%	1.39%	.75%
104,325	98,519	91,409	78,399	78,618	79,743	74,509
12,260	11,833	9,633	4,774	4,950	6,477	4,922
3,830	3,578	3,417	3,198	2,902	2,527	2,508
<hr/>						
\$ 39,339	\$ 40,497	\$ 37,707	\$ 33,489	\$ 26,668	\$ 25,768	\$ 26,329
38,767	32,211	29,164	28,293	28,248	26,988	22,376
115,788	108,484	104,898	86,096	80,274	79,269	70,848
76,480	70,220	63,407	57,188	55,306	52,868	48,818
<hr/>						
\$ 1.94	\$ 1.92	\$ 1.82	\$.74	\$.91	\$ 1.20	\$.62
.625	.4875	.5125	.35	.40	.35	.35
16.07	14.75	13.32	12.01	11.62	11.11	10.25

ACCOUNTANTS' REPORT

ERNST & ERNST

FIRST NATIONAL BANK BLDG.

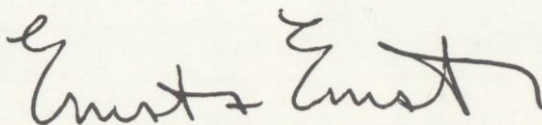
MINNEAPOLIS, MINN. 55402

To the Stockholders and Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statements of consolidated financial position of Geo. A. Hormel & Company as of October 28, 1972 and October 30, 1971 and the related statements of consolidated earnings, stockholders' investment and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying aforementioned financial statements present fairly the consolidated financial position of Geo. A. Hormel & Company and subsidiaries at October 28, 1972 and October 30, 1971 and the consolidated results of their operations, changes in stockholders' equity and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Minneapolis, Minnesota
November 21, 1972

A handwritten signature in dark ink, appearing to read "Ernst & Ernst", is written in a cursive, stylized script.

